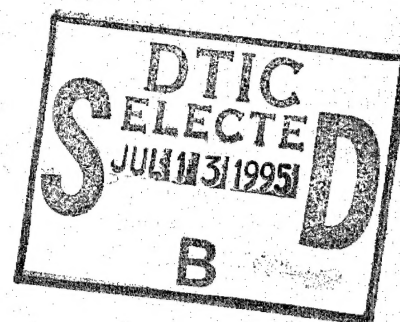


DLA-95-P40241

**RESULTS AND IMPLICATIONS FOR
PHASE-II OF THE USAF WING
COMMANDERS' FLEXIBILITY TEST
(LOCAL VERSUS CENTRAL PURCHASE)**

JUNE 1995

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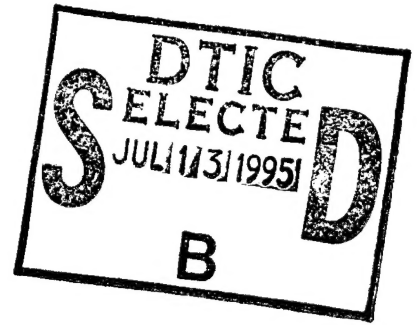


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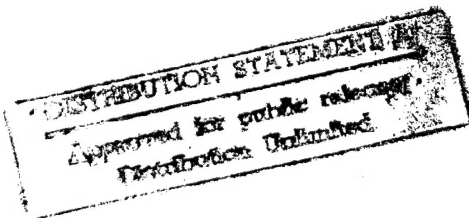


DLA-95-P40241

RESULTS AND IMPLICATIONS FOR PHASE-II OF THE USAF WING COMMANDERS' FLEXIBILITY TEST (LOCAL VERSUS CENTRAL PURCHASE)

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June 1995



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FOREWORD

This report provides analysis on the results and implications of the United States Air Force (USAF) Wing Commanders' Flexibility Test (Phase-II) from a Department of Defense systems perspective. The test, which covered the time period of October 1993 through September 1994, was initiated by USAF to enhance the wing commanders' options in meeting their mission requirements. It is a follow-on study to Phase-I which spanned October 1991 through September 1993.

We extend our thanks to the staff at the Air Force Logistics Management Agency (AFLMA) for the technical data assistance provided and without whose support the analysis would have been impossible. Additionally, we would like to acknowledge the technical support of Messers. T. Curtis and D. Bowling who are Project Managers with the Value Engineering Readiness (VER) Branch of the Defense Construction Supply Center (DCSC) for their work in identifying item level required product specifications. All of these inputs were vital in the completion of this analysis.

Gerald F. Wyngaard
GERALD F. WYNGAARD
Colonel, USAF
Chief, DLA Operations Research Office

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EXECUTIVE SUMMARY

The Air Force conducted a local purchase test, known as the Air Force Wing Commanders' Flexibility Test, to enhance the wing commanders' acquisition options for meeting mission requirements. This test was executed in support of the Defense Acquisition Regulatory (DAR) Case 91-908-01 (Required Sources of Supplies and Services - Commodity Assignments). Authority to proceed with the test, which was conducted under two phases, was granted by the DAR Council with the Defense Logistics Agency (DLA) monitoring the test from a Department of Defense (DoD) systems perspective.

Phase-I of the test (report dated January 1994) covered the time period of October 1991 through September 1993 and was restricted to consumable items for base support, equipment, and vehicles (excluding weapons, flight, and space systems). The test involved ten Air Force bases consisting of seven Active, one Air Reserve, and two National Guard locations. During this first phase, the local purchase option was infrequently (only a total of 215 buys) exercised. Results indicated that items could be obtained faster through local purchase but at greater cost.

Phase-II covered the time period of October 1993 through September 1994. This second phase both extended the range of items that may be purchased under the test and expanded the test to twenty-three Air Force bases consisting of eighteen Active, three Air Reserve, and two National Guard locations. In spite of extending the range of items and increasing the number of participating bases, the local purchase test continued to be infrequently used (only a total of 272 attempted buys).

The primary findings of the DLA analysis, which were based on the limited range of items that were bought by both the Air Force and DLA during Phase-II of the test and which had the same units-of-issue, were the following:

- * Although some items were obtained faster through local purchase, on average, a local purchase was not faster than a central requisition.
- * DoD would have paid an extra \$400 thousand (FY 94 \$) if USAF local purchase costs were extended throughout DoD for the same limited range of items.
- * Approximately eleven percent of the items which were legitimate under test guidelines had some type of product specification (e.g., MILSPEC or technical drawing). These were properly checked at base level but personnel costs to accomplish this were not included.

Recommendations stemming from this analysis are the following:

- * To support meeting readiness objectives, **emergency** local buys should continue to be permitted under the DFAR.
- * To support wartime planning and item pricing analysis, all local buys of IMM items should be reported quarterly by Service MAJCOM(s) to the appropriate IMM Agency.

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
	FOREWORD	iii
	EXECUTIVE SUMMARY	v
	TABLE OF CONTENTS	vii
	LIST OF TABLES	ix
	LIST OF FIGURES	xi
1	INTRODUCTION	1-1
1.1	Background	1-1
1.2	Scope	1-1
1.3	Basic Methodology	1-3
1.3.1	Manpower Costs	1-3
1.3.2	Identify NSN(s) for Statistical Analysis	1-4
1.3.3	Analysis Approach	1-5
2	TEST RESULTS	2-1
2.1	Test Items Overview	2-1
2.2	Performance	2-2
2.3	Price	2-4
2.4	Quality	2-5
2.5	System Costs	2-6
3	CONCLUSIONS	3-1
4	RECOMMENDATIONS	4-1
	APPENDIX A: Bibliography	A-1
	APPENDIX B: Glossary	B-1
	APPENDIX C: Local Procurement Test Program Phase-II	C-1
	APPENDIX D: Distribution List	D-1

LIST OF TABLES

<u>Number</u>	<u>Title</u>	<u>Page</u>
1-1	Bases Authorized For Wing Commanders' Flexibility Test (Phase-II)	1-2
1-2	Summary of AFLOGMET Personnel Cost Findings with Inflation Adjustments	1-4
2-1	Statistical Evaluation of Timeliness	2-3
2-2	Confidence (95%) Intervals for Timeliness	2-3
2-3	Items Bought Under Test with Product Specifications	2-6

LIST OF FIGURES

<u>Number</u>	<u>Title</u>	<u>Page</u>
1-1	Range of Items Compared in Test - Total	1-2
1-2	Range of Items Compared in Test - Cancelled Versus Filled	1-3
1-3	Range of Items Compared in Test for Purchase Price	1-4
1-4	Range of Items Compared in Test for Response Times	1-5
2-1	USAF Component Breakouts for Buys in Phase-II	2-1
2-2	DLA Stocked Versus Non-Stocked Items in Test	2-2
2-3	Response Times - Case Means with Confidence Intervals	2-4

SECTION 1

INTRODUCTION

The Defense Logistics Agency (DLA) Executive Director for Supply Management directed that an impact assessment be conducted on the implications of extending the Air Force Wing Commanders' Flexibility Test (under Phase-II) across the Department of Defense (DoD). This analysis was to explicitly review all test buys conducted by the Air Force against DLA managed items. Specifically, the assessment was to examine cost, delivery performance, and quality. The study team evaluated the total purchase cost and item delivery performance on a statistical basis. Item quality was indirectly assessed by coordinating with the air base purchasing staff who verified item specification requirements with the DLA's technical staff at Columbus (DCSC-VER) who had responsibility for confirming item specification needs.

1.1 BACKGROUND

In June 1991, the Air Force requested a change to the DFAR to allow flexibility for the wing commanders to meet mission requirements through application of local purchase options. Subsequently, the USAF structured a local purchase test at select bases for a limited range of items. This Air Force test has been conducted with DLA participation under both test phases.

The first phase of the test began October 1991 and extended through September 1993 and was limited to only ten bases. Significant findings from the first phase were that items could be obtained faster on a local purchase basis than from the central system. However, the benefit of quick delivery was only obtained for higher overall costs (refer to Report No. DLA-94-P10227 listed in Appendix A for details). Additionally, it was found that 20 percent of the items that were purchased under the test had some type of product specification or technical drawing requirement. This raised the specter for potential quality failures under local purchase.

Since results were mixed under Phase-I, it was decided to expand the test under a second phase in order to obtain greater statistical confidence with a larger sample. Consequently, both the range of items that could be purchased and the number of participating bases were expanded significantly during FY94 under the designated Air Force Wing Commanders' Flexibility Program (AFWCFP).

1.2 SCOPE

Phase-II was initiated at twenty-three selected bases. Test sites included both CONUS and OCONUS locations. This represented a 130 percent increase to the number of bases authorized to make buys under the test as compared with Phase-I. Additionally, there was a substantial increase to the range of items available for purchase (refer to Appendix C).

These bases, along with their Air Force component percentages under the test, are identified by Table 1-1.

ACTIVE (78%)		GUARD (9%)	RESERVE (13%)
Dover	McClellan	Kingsley	Dobbins
Edwards	McGuire	Pittsburgh	Hensley
Ellsworth	Moody		Minneapolis
Elmendorf	Nellis		
Grand Forks	Offutt		
Holloman	Randolph		
Kelly	Spandahlem		
Lakenheath	Tyndall		
Luke	Wright-Patterson		

Table 1-1. Bases Authorized For Wing Commanders' Flexibility Test (Phase-II)

Suprisingly, in spite of the expanded test, few local purchase buys were executed under this phase of the test. Only thirteen bases chose to participate and they only attempted 272 transactions against 248 unique items (refer to USAF January 1995 report listed in Appendix A for details). Consequently, the sample size for this analysis remains quite small and study results and findings should be restricted to the set of items actively compared in the test for the USAF and DLA.

Additionally, out of the core set of 248 unique items purchased under the test, only 180 NSNs were found to be managed by DLA (refer to Figure 1-1).

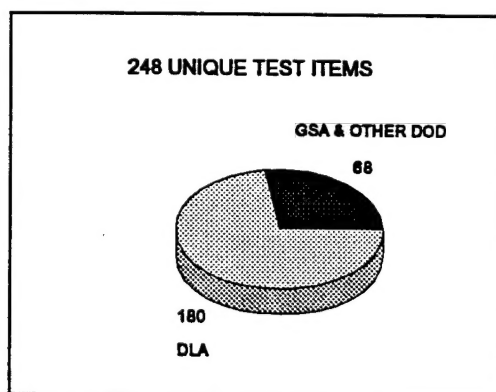


Figure 1-1. Range of Items Compared in Test - Total

This reduced scope of items had to undergo an additional cut to account for those USAF local purchase transactions which were canceled by the USAF for a variety of reasons. There were fifteen cancellations, of which, eight were on DLA managed items.

Consequently, the scope of NSNs initially identified for comparative analysis between USAF and DLA was reduced to only 172 items (refer to Figure 1-2).

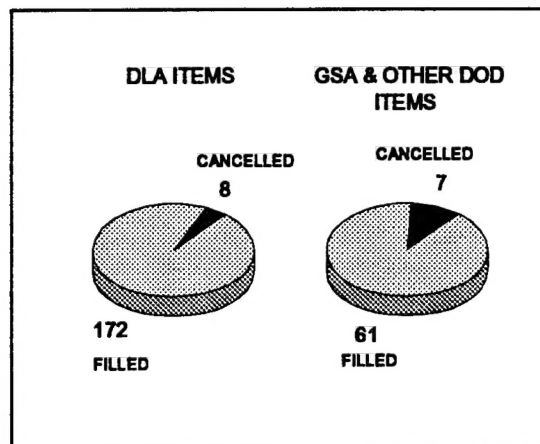


Figure 1-2. Range of Items Compared in Test - Canceled Versus Filled

1.3 BASIC METHODOLOGY

The essential methodology which has been applied to conduct this analysis can be broken down into the following:

- *Update Air Force Manpower costs for the current fiscal year.
- *Identify NSN(s) for statistical analysis
- *Conduct analysis for price, delivery, quality, and system costs

1.3.1 **Manpower Costs**

To assess personnel costs related to purchasing, the Air Force Logistics Management Engineering Team (AFLOGMET) conducted a time and standards study to capture personnel costs associated with executing a local purchase (see AFLOGMET Final Special Study Report, "Standard Base Supply System Cost of Local Purchase Requisitions & Cost of Central Requisitions", December 1991). Personnel costs associated with the execution of a local buy were found to be more expensive than those incurred through the central system. This was true in spite of the fact that base level costs due to verification of item specification requirements (MILI, MILQ) were excluded. Their evaluation found that a local purchase action cost \$65.00 and a requisition placed through the central system cost \$16.94 in personnel costs. These costs were adjusted for inflation by the DLA study team for the Phase-II analysis. In 1994 dollars the \$65.00 equates to \$70.62 and the \$16.94 equates to \$18.40. Consequently, this results in a

\$52.22 net cost differential in 1994 dollars to execute a local buy over a central buy (See Table 1.2).

PERSONNEL FUNCTION	LOCAL 91 (\$)	LOCAL 94 ADJUSTED	CENTRAL COST (\$)	CENTRAL 94 ADJUSTED
Supply Demand Processing	8.12	8.82	4.35	4.72
Supply Requisitions	9.73	10.57	2.41	2.62
Operational Contracting	30.94	33.62	-0-	-0-
Materiel Storage/Distribution	8.92	9.69	6.29	6.83
Finance (Materiel)	6.03	6.55	3.89	4.23
Finance (Paying/Collecting)	1.26	1.37	-0-	-0-
TOTAL EXECUTION COST	\$65.00	70.62	\$16.94	18.40

Table 1.2. Summary of AFLOGMET Personnel Cost Findings with Inflation Adjustments

1.3.2 Identify NSN(s) for Statistical Analysis

To adequately make statistical comparisons between the USAF test population and the DLA central system, the study team further reviewed the reduced scope of 172 items in order to select the most comprehensive range of items common to both DLA and the USAF which were "active" during the test window. By stretching out the calendar to include FY92, FY93, and FY94, the study team identified 131 NSNs which had buys that could be compared to USAF local purchase. Consequently, there were 41 items that had to be excluded since their buy history was too old for comparison on a statistical basis (refer to Figure 1-3).

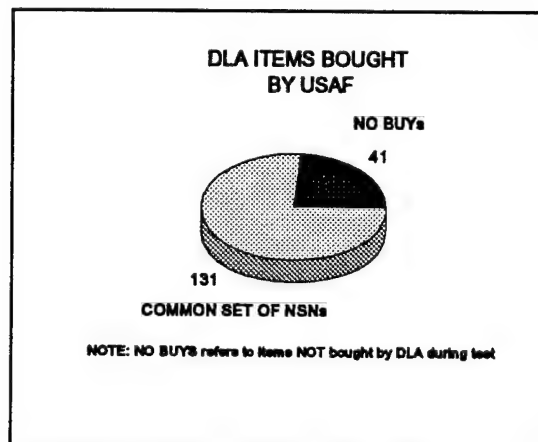


Figure 1-3. Range of Items Compared in Test For Purchase Price

Finally, to statistically compare response times between the local system and the central system, we had to select those DLA managed NSN(s) which were both bought and delivered locally, as well as, having had centrally submitted requisitions. Surprisingly, we found that only 94 of the 131 NSN(s) experienced central requisitions during this timeframe (see Figure 1-4). Consequently, an additional 37 NSNs were excluded since no statistical comparisons could be made due to lack of data during the test period.

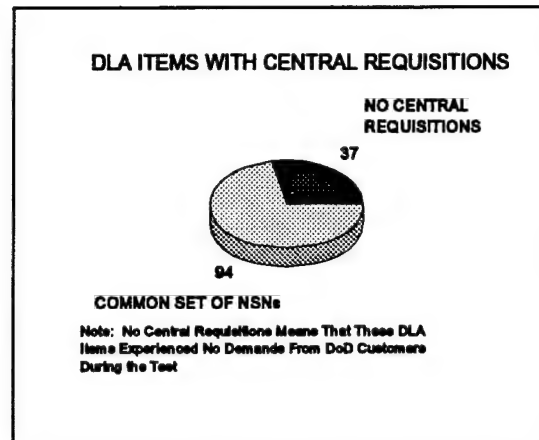


Figure 1-4. Range of Items Compared in Test for Response Times

1.3.3 Analysis Approach

Essentially, a non-parametric statistical assessment using the Wilcoxon Test was employed to evaluate both price and delivery performance on the core set of NSNs (94 items) which were "active" in both DLA and USAF. Adherence to quality issues were verified directly between USAF and DLA. Lastly, total system costs were compared directly by projecting USAF actual costs across those DoD activities which purchased the same set of core NSNs (94 items) and contrasting the projected system cost with the actual historical total system cost.

SECTION 2

TEST RESULTS

This section provides a synopsis of the results of the test. These results are in terms of comparisons with the central system (performance and price) for items that had both local purchases and central requisitions. Additionally, we have assessed implications of the test with respect to item quality requirements. Finally, the study team has projected the test results across the central system. This was accomplished for the range of test items in order to estimate total cost impacts to the DoD in the event that these items would be managed as local purchase items.

For the performance analysis, timeliness was assessed for both a straight average and a weighted average response time for the 94 NSN(s) that comprised the common comparison set. Only the number of local purchase buys and central requisitions were taken into account when calculating the average response times for the straight average for each of these NSN(s).

The quantity purchased was used in the calculations for the weighted average for each NSN. For the price analysis the weighted average local purchase price was used for the local purchase unit price and the standard unit price at the end of the test (September 1994) was used for the central unit price.

2.1 TEST ITEMS OVERVIEW

One of the areas that the DLA study team examined was to review the degree to which each of these Air Force Components (Active, Reserve, Guard) utilized the local purchase option (refer to Figure 2-1). Here it is quite evident that the lion's share of purchases were being made under the Phase-II by the Active test sites (almost two-thirds) as would be expected since this component represented eighteen of the twenty-three test sites. However, this was not the case in the Phase-I analysis, where the Reserve and National Guard represented only three of the ten test sites, but accomplished fully 60 percent of the buys (refer to Report No. DLA-94-P10227 for details).

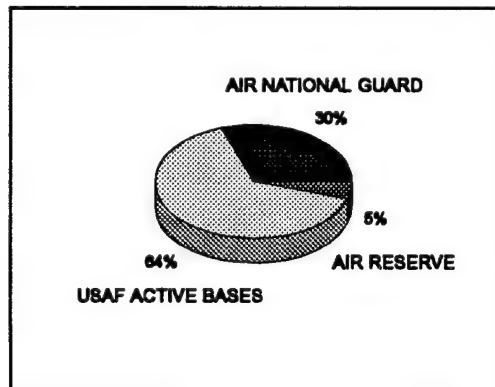


Figure 2-1. USAF Component Breakouts for Buys in Phase-II

One additional distinction that should be considered prior to reviewing test results deals with the mix of NSNs that were bought under the test which were managed by DLA as stocked items as opposed to non-stocked items. Here one finds that the majority of NSNs (70 percent) that were purchased over the duration of the test were for stocked items. Additionally, as you examine the total local purchase Phase-II data, this trend continues with the majority of USAF purchases (72 percent) used to obtain an item that was managed as a stocked item by the central system. This overview is portrayed in Figure 2-2.

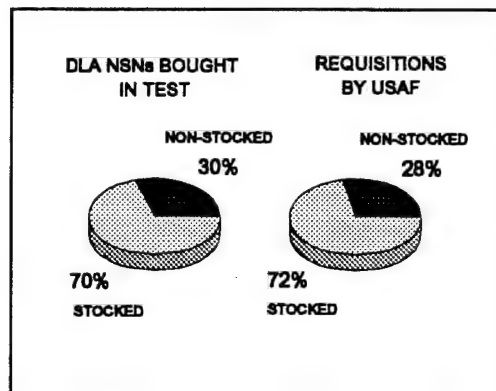


Figure 2-2. DLA Stocked Versus Non-Stocked Items in Test

2.2 PERFORMANCE

In assessing timeliness for the test buys, the USAF experience under local purchase consistently indicated that response time (elapsed time from requisition submittal of the item order to item receipt) was statistically no better than under the central system. This was found to be true across all requisition priorities. Additionally, this situation (local buy not out-performing central buy) held true even when the requisition had a high priority (Issue Priority Group (IPG) I).

The study team employed the Wilcoxon statistical test to compare local and central requisition response times pairwise by NSN for both the straight and weighted average times. This test consistently indicated that buying at the local level was not statistically faster than obtaining the item through the central system. The test was conducted for two cases. The first case dealt with all requisitions and did not distinguish between requisition priorities, whereas, the second case looked only at high priority (IPG I) requirements. In the second case only items with high priority central requisitions and high priority local purchases were included. Recorded in table 2-1 are the results of this analysis. Given the test results (shown for both straight and weighted average), clearly the local buy option did not out-perform the central system. This may also be observed in table 2-2 which establishes confidence intervals (95% level) for both cases in terms of days. Figure 2-3 portrays a graphical representation of these same confidence intervals.

DATA CATEGORY	CASE 1 ALL REQUISITIONS	CASE 2 HIGH PRI REQUISITIONS
Local Sample Size	103	60
Central Sample Size	8197	2624
Number of NSNs	94	55
Statistical Results	Inconclusive	Inconclusive

Table 2-1. Statistical Evaluation of Timeliness.

CASE CATEGORY	SAMPLE SIZE		LOWER BOUND (DAYS)	POPULATION MEAN (DAYS)	UPPER BOUND (DAYS)
	#RQNS	#NSNs			
All Requisitions Local	103	94	23.6	32.3	41.1
All Requisitions Central	8197	94	19.8	20.4	20.9
High Priority Requisitions Local	60	55	17.0	28.2	39.4
High Priority Requisitions Central	2624	55	17.4	18.3	19.2

Table 2-2. Confidence (95%) Intervals for Timeliness (Days).

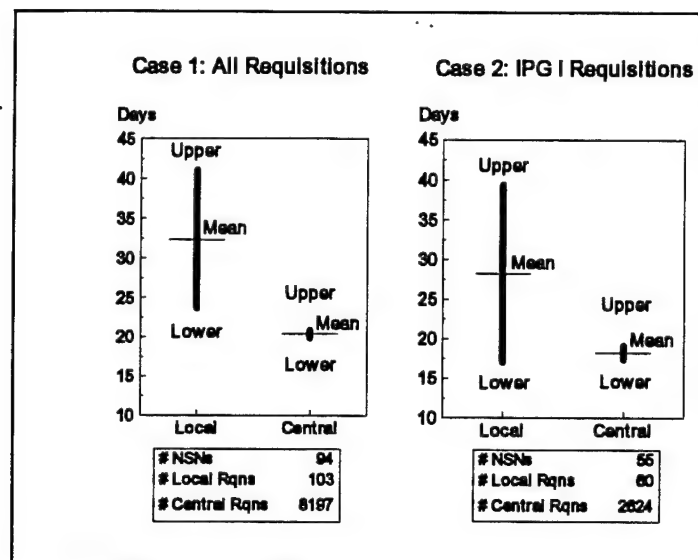


Figure 2-3. Response Times - Case Means with Confidence Intervals

2.3 PRICE

In examining price differences between local and central buys over the same range of items, the study team looked at making two comparisons. The first case assessed the as-reported local buy and central requisition data excluding the processing costs associated with executing the local buy or central requisition. This contrasts with the second case that compared costs on a more "level playing field." This was accomplished by including local processing costs (for both local buys and central requisitions as developed and reported by AFLOGMET) within the local cost data and the central requisition data. However, although we have attempted to develop a "level playing field" by including AFLOGMET costs, it must be kept in mind that the central system is still "burdened" with the cost of maintaining item specifications.

In both cases we observed that the local purchase option was not statistically different from the central system cost. These findings were developed for those purchases that were executed by both the local and central system during the same time period in which the test was conducted.

The study team again employed the Wilcoxon statistical test to compare local and central requisition costs pairwise by NSN using weighted average local purchase unit price and central unit price. The local inflation adjusted processing cost burdens (\$70.62 per local buy and \$18.40 per central requisition) were also weighted by the quantities purchased to calculate the weighted average processing cost burdens by NSN for local buys and central requisitions, respectively, for the second case.

What was observed in the first case (local costs excluding processing costs) was that there was no statistical difference between local and central for the 94 NSNs which had DLA price history for both the beginning (FY94-1) and close (FY94-4) of the test, as well as, an identical

unit-of-issue. Further, for the second case (adding the weighted average personnel cost burdens to the respective unit prices), we found that there was still no statistical difference.

In addition to looking at price performance on a statistical basis, the DLA study team has reviewed individual items for price reasonableness. On a specific item (NSN 1680011793845, Sliding Spline Assembly for the B1 Bomber), the Air Force requested (refer to "Local Procurement Test Program Phase II" report listed in Appendix A) that DLA evaluate the apparent high price. What we learned from our review is that this NSN is a Consumable Item Transfer (CIT) from the Air Force as of October 1992. Additionally, since the item was transferred with adequate on-hand assets, DLA has not purchased this item. Consequently, the pricing information represents the purchase price data that was passed to DLA at the time of transfer. We suspect that the price is as high as it is since it is likely that the Air Force purchased the item under "Initial Spares and Repair Parts" (ISRP) for the B1 Bomber. This item has been referred to the appropriate item manager for price updating.

2.4 QUALITY

In Phase-I, there were thirty NSNs bought by test bases that did have item specifications. With regard to item quality (to include special packaging requirements), we could only presume that the purchasing and receiving staff at the air bases had the expertise to determine that they did purchase an equivalent item. It is our perception that properly verifying item quality represents a significant workload at the base which was not included in the AFLOGMET personnel processing costs.

Since Phase-II extended the range of items that could be purchased locally, the ability to verify product quality requirements became more critical as compared to Phase-I and had the potential to raise safety issues. During Phase-II, the items with specifications were identified by the USAF test bases and DLA staff could then verify whether or not the purchasing staff adhered to specifications when purchasing such items. As it turned out, only fourteen NSNs had specifications (see table 2-4). In each case, the local purchasing staff correctly identified the specifications and purchased an equivalent item. DLA staff at Columbus (DCSC-VER) was responsible for reviewing quality and specification issues, conducting the quality analysis and verifying that the local staff had properly identified the specifications and had purchased an item that met requirements.

In summary, our assessment of the quality issue was limited to reviewing the items which were purchased under the test that were DLA managed and which did have item specifications. We found that there were fourteen (14) NSNs that were bought by the test bases that did have specifications (see table 2-4). Although item quality was not compromised by the test bases, it is our perception that this labor represents an additional workload at the bases (to properly verify product quality.) These costs were not included in the AFLOGMET personnel overhead costs for base personnel.

NATIONAL STOCK NO.	ITEM NAME	COMDTY GROUP	SPECIFICATION TYPE
4720005641413	AIR DUCT	C	MILSTD WITH QPL
4730003594717	SWIVEL FITTING	C	COMMERCIAL SPEC, SAE
5961012069447	SEMICONDUCTOR	E	MILSTD WITH QPL
6140012661633	T-37 BATTERIES	G	MILSPEC WITH QPL
9150001912772	OIL 10 W MIL 2104C	G	MILSPEC WITH QPL
2840003562583	HOUSING, BEARING	I	QAP & OEM DRAWING
3110002837451	BEARING, BALL, DUPLEX	I	QAP & OEM DRAWING
3110004970254	BEARING	I	MILSTD WITH QPL
3110004986989	CUP ROLLER BEARING	I	MILSTD WITH QPL
3110006061842	CUP	I	MILSTD WITH QPL
5320010428898	PIN-RIVET THREADED	I	QAP & OEM DRAWING
5330011484783	PACKING, PREFORMED	I	OEM DRAWING
6145010986361	POWER CABLE	I	QAP & OEM DRAWING
9540004883962	1" ANGLE (ALUMINUM)	I	MILSTD

Table 2-3. Items Bought Under Test with Product Specifications.

2.5 SYSTEM COSTS.

To extend test results across the entire DoD system, the study team first evaluated the test buys to determine which NSNs bought under the test represented DLA managed items. In addition to being items managed by DLA, the items also had to have prices for both the beginning and end of the test (to assure that the item was under continued management), to have units-of-issue that were consistent between local and central buys, and lastly to be NSNs that both DLA and the USAF purchased and supplied during the test period. This reduced the set of items to 94 NSNs for evaluating costs. It was against this reduced range of items that the total system costs were estimated.

To accomplish the development of the total system cost, the study team extended the USAF cost experience across the central system and compared those results to the actual costs recorded by the central system. In making this comparison, we found that historically the central system incurred costs of \$3.1 million (this workload covered 348 new procurement receipts and 8,197 requisitions for the same range of selected items). This contrasted with a projected system cost of \$3.5 million if the USAF cost experience on these NSN(s) had been extended across the DoD system for the same range of items. Consequently, we estimate that the additional cost to the system would have been \$0.4 million for this very limited range of items that were actually purchased under this phase of the test. Lastly it should be again noted that the local system has not been burdened with the personnel cost to maintain and verify item specification requirements.

SECTION 3 CONCLUSIONS

As we noted at the very beginning of this report in the Executive Summary, both Phase -I and Phase-II have very limited sample sizes. Consequently, any conclusions that are rendered must be viewed under the same limitations. Extension of these statistically limited results to a broader mix of NSN(s) is not warranted. That having being said, our basic conclusions are the following:

- * Local purchasing did not outperform the central system for the Phase-II test. Instead, it was the central system which performed "better" for this limited sample. Further, there was no statistical difference in the price when making comparisons item by item. Additionally, local purchasing was estimated to be more expensive than the central system when the local test results were extended across DoD for the same range of items over the same time period.

- * Now, when considering item product specifications, we concluded that the items purchased that had specifications were properly purchased by the test bases. However, the personnel cost involved with verifying these specifications were not included in the AFLOGMET cost survey. Had this cost been properly captured at the base level, the increased cost of executing a local purchase to account for product specifications and item quality would have increased further.

- * We concluded that if the results from the earlier Phase-I Test are included (refer to Report No. DLA-94-P10227 listed in Appendix A), then management can support the proposition that local purchase is at times faster. Hence, from a readiness perspective, the local purchase option should continue to be permitted on an **emergency** need basis. However, this will likely result in higher overall costs for the system.

SECTION 4 RECOMMENDATIONS

Overall, managing an item through the central system has been demonstrated to be less expensive and more efficient. However, there are times (e.g., as shown under Phase I of the test) when an item may be obtained faster through a local purchase. Consequently, we recommended the following:

- * To support meeting readiness objectives, **emergency** local buys should continue to be permitted under the DFAR.

- * To support wartime planning and item pricing analysis, all local buys of IMM items should be reported quarterly by Service MAJCOM(s) to the appropriate IMM Agency.

APPENDIX A
BIBLIOGRAPHY

APPENDIX A BIBLIOGRAPHY

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APPENDIX B

GLOSSARY

APPENDIX B GLOSSARY

AAC	Acquisition Advice Code
AFLMA	Air Force Logistics Management Agency
AFLOGMET	Air Force Logistics Management Engineering Team
ANSI	American National Standards Institute
C	Construction Commodity Items
CIT	Consumable Item Transfer
CONUS	Continental United States
DCSC	Defense Construction Supply Center
DESC	Defense Electronics Supply Center
DFAR	Defense Federal Acquisition Regulation
DFSC	Defense Fuel Supply Center
DGSC	Defense General Supply Center
DIDB	DLA Integrated Data Bank
DISC	Defense Industrial Supply Center
DLA	Defense Logistics Agency
DoD	Department of Defense
DORO	DLA Operations Research Office
DPSC	Defense Personnel Support Center
E	Electronic Commodity Items
G	General Commodity Items
GSA	General Services Administration
I	Industrial Commodity Items
ICC	Item Category Code
ICP	Inventory Control Point
IMM	Integrated Materiel Manager
IPG	Issue Priority Group
LGS	HQ USAF, DCS/Logistics, Directorate of Supply
MAJCOM	Major Command
MILSPEC	Military Specification
MILSTD	Military Standard
MMSL	HQ DLA, Materiel Management, Supply Management Policy Group
NSO	Numeric Stockage Objective
OEM	Original Equipment Manufacturer
QAP	Quality Assurance Provisions
QFD	Quarterly Forecasted Demand
QPL	Qualified Product List
SPEC	Specification
SSC	Supply Status Code
UMMIPS	Uniform Materiel Movement and Issue Priority System
VER	Value Engineering Readiness
WSDC	Weapon System Designator Code

APPENDIX C
LOCAL PROCUREMENT TEST PROGRAM PHASE II



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON DC



REPLY TO
ATTN OF:

HQ USAF/LG
1030 Air Force Pentagon
Washington DC 20030-1030

20 SEP 1993

SUBJECT:

Local Procurement Test Program Phase II

TO:

See Distribution

1. After months of extensive planning and staffing, the Air Force is ready to commence testing of the attached Local Procurement Test Program Plan for Phase II. This initiative increases the wing commander's flexibility to deal directly with parts suppliers and manufacturers. Vice President Gore's Defense Performance Review (DPR) initiative identifies enabling actions to allow commanders and managers access to all sources of common supplies and services in order to obtain best value products. The DPR initiative lends even greater credibility and importance to the potential gains of this test program.
2. The Local Procurement Test Program Phase II empowers commanders to procure consumable items, pertaining to aerospace support equipment, communications-electronics equipment, vehicles, aircraft, missiles, and space systems, when it is judged to be in the best interest of the government due to availability, cost, or quality. Local management decisions to procure items must be sensitive to stock fund issues and Congressional restrictions. Twenty-three test bases will commence testing on 1 Oct 93 through 30 Sep 94 and the major objectives of the test are empowerment, competition, and greater support.
3. Top management support of the Local Procurement Test Program is essential in achieving test objects. I'm confident the Air Force can count on your total commitment. Our POCs are Mr. Allen Beckett, DSN 224-3548; Mr. Jerome Yates, DSN 227-2369; and Ms. Winifred Reed, DSN 225-2531.


JOHN M. NOWAK, Lt Gen, USAF
DCS/Logistics

2 Atch

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LOCAL PROCUREMENT TEST PLAN
PHASE II

OBJECTIVE

Further increase the flexibility of installation commanders to locally procure centrally managed Expendability, Recoverability Repairability Category (ERRC) coded XB3 and XF3 items which are used on aerospace ground support equipment, communications-electronics equipment, vehicles, aircraft, missiles, and space systems. XB3 and XF3 items are noncomplex repair parts and supplies which are managed by the Air Force, DLA, and GSA.

BACKGROUND

In 1988, changes were made in the way installation commanders could acquire centrally managed items. These changes emanated from DoDD 4001.1, Installation Management and the DoD Federal Acquisition Regulation Supplement (DFARS). Commanders can now approve some local purchases provided such actions are in the best interest of the government in terms of quality, timeliness, and cost. The result has been increased flexibility for both organizational and wing commanders. In addition, wing commanders have the authority to approve local procurement of centrally managed items when an emergency exists. However, exclusions are included in the DFARS that were not in DoDD 4001.1. These exclusions limit the ability of the installation commanders to respond to changing requirements. One such exclusion is "items directly related to the operation of a weapon system or its support equipment".

BOUNDARIES

Inclusion Items: ERRC coded XB3 and XF3 items pertaining to aerospace ground support equipment, communications-electronics equipment, vehicles, aircraft, missiles, and space systems.

Exclusion Items:

- a) Items requiring nuclear/special weapons certification
- b) Depot recoverables (XD2)
- c) Items of a dangerous nature such as Munitions/commercial explosives as specified in AFM 67-1, Vol I, Part One, Chapter 8.
- d) Special security characteristics
- e) Safety critical items as determined by the Air Logistics Centers (ALCs) Item Manager (IM)/Equipment Specialist (ES) team.

SCHEDULED TEST DATES

1 October 93 through 30 September 94

SCOPE OF TEST

Bases will be selected from each of the following major commands: AMC, AFMC, AFRES, ATC, ACC, USAFE, PACAF and the Air National Guard.

REFERENCES

DODD 4001.1, Installation Management
DFAR 208.7003-1, Assignment Under Integrated Materiel Management
AFM 67-1, Supply Manual, Vol I, Part One; Vol I, Part II, Chapter 2; and Vol Two, Part Two

EXPECTED BENEFITS

Benefits should result from better responsiveness, lower cost, and equal/better quality of the items procured under the test program. Ideally, other benefits include higher mission capable rates from a decrease in the number of mission capable (MICAP) incidents, lower costs associated with local procurement, and shorter pipeline times for local purchases vice wholesale order and ship times.

PROCEDURES

Activities are authorized to locally procure, at their option, any centrally managed, Service (Air Force, Army, Navy), DLA or GSA XB3 or XF3 items which are commercially available, provided such actions are judged to be in the best interest of the government in terms of the combination of quality, timeliness, and cost.

This test empowers the commander to expedite procurement of items when the normal source of supply is unacceptable due to availability, cost, or quality. By circumventing the routine logistics system, however, the commander takes on a new responsibility. Safety of flight, for example, is of paramount importance. It is recognized that the technical experts are the maintenance technicians at wing level, and the depot engineers, item managers and equipment specialists at the ALCs.

It is imperative that the commander establish local procedures involving the unit's "chain of command" that ensures the following are considered:

a) Local purchase items meet or exceed MIL-SPEC requirements (refer to DO43).

b) Procure items from approved/certified manufacturer or vendor/source of supply.

c) HAZMAT procurements are coordinated with the Base Environmental Engineer.

d) For Aircraft, Missile, or Space System items, mandatory coordination with the Air Logistics Center Item Manager/Equipment Specialist Team.

e) Source of Supply informed of local procurement (Phone call or Fax)

The approval, submitted by the organizational commander/designated representative, should address quality, timeliness, and cost. However, it is not necessary that every factor be advantageous. For example, timely delivery may outweigh costs when mission requirements are considered. The approval should also state that the item does not fall into any of the categories of materiel excluded by this test.

The base customer is responsible to research item application for aircraft, missile, and space system LP procurements. The customer, with the assistance of base supply, shall coordinate with the ALCs IM/ES team to identify item applicability, approved vendors, and military specifications. ALC IM/ES teams and DLA/GSA IMs have a maximum of five working days to provide any information as to why the LP should not take place (poor quality parts from source, part does not meet Mil-Spec...etc) for aircraft, missile, or space systems. All information should be documented on Data Collection items #14 & #15 by base supply and passed on to the Air Force Logistics Management Agency (AFLMA).

Base supply is responsible for processing the request to include determining the availability of assets, identifying approved vendors, military specification requirements, if a suitable substitute exists (on-hand stock, to include suitable substitutes, will be issued versus local purchase), assigning the appropriate stock number, etc. Supply will assist the customer, when requested, in any technical way necessary to correctly document the request. For example, supply will be required to interrogate DO43C to identify approved vendors for aircraft, missile or space system items. Base supply will record the appropriate demand and consumption data for stock leveling purposes. The request will then be forwarded to operational contracting office. Supply will forward a copy of the contractual document (provided by contracting after they have processed the request) to a central point identified at each of the air logistics centers (ALCs) and supply centers (DLA).

The operational contracting office is responsible for procuring the XB3 or XF3 item and verifying approved vendors. The contracting officer will review the local purchase request to ensure the justification is included and warrants local purchase. For items assigned for integrated materiel management (IMM), the documentation/waiver request requirements of DFAR 208.7003-1 still apply (Note: Effective 31 December 1991 the DFAR included the following change: deleted the requirement for review and approval one level above the contracting officer for local purchases between \$1,000 and \$5,000).

When necessary, payment of a higher price than originally estimated or evaluation of the quality of a new source will be coordinated with the user and technical experts before final acquisition. Contracting will provide a copy of the contractual document to Base Supply. The following information must be included within or attached to the contractual document.

- a) Manufacturer's name and model or part number
- b) National stock number or schedule number and special item number (i.e., 6711B, special item 195-2)
- c) seller's name and address
- d) actual price paid
- e) warranty conditions, when appropriate, or quality assurance data
- f) any other pertinent information.

Each of the air logistics centers (ALCs) and supply centers (DLA) will establish a central point where bases can forward these contractual documents. The central point will receive and distribute them to the applicable item manager.

The Air Force Logistics Management Agency (AFLMA) will conduct an analysis of the data collected during the test. To help facilitate the data collection and the analysis, the major commands should direct the test bases to use one of the issue exception codes designated for their use. Each base is required to forward information collected manually for analysis to AFLMA/LGC, Gunter AFB AL 36114, DSN 596-4085. AFLMA will provide a format to collect test data.

DATA COLLECTION

A supply/maintenance/contracting study group should be established to monitor the program during the test. In addition to the responsibilities identified under the test methodology, the group should track the number of occurrences when local purchase is used to order centrally managed items and the dollar values in comparison to the costs when ordered from established sources of supply. In addition, lead times for the local purchases should also be tracked for comparison to established order and ship times. The following information, must be documented for each transaction processed under the rules of this test plan.

- 1 National Stock Number
- 2 Noun
- 3 Source of Supply
- 4 Quantity
- 5 Price Paid
- 6 Extended Dollar Value (Line 4 x Line 5)
- 7 Standard Price (Item Record or SNUD)
- 8 Extended Estimate (Line 4 x Line 7)
- 9 Difference (Line 6 Minus Line 8)
- 10 Estimated O&ST Days (From Item Record in SBSS)
- 11 Actual O&ST Days (From Contracting Contractual document)
- 12 Difference (Line 10 Minus Line 11)
- 13 Date Copy of Contractual document Mailed to Source of Supply
- 14 Did item (s) meet or exceed Mil-Spec/drawing requirements?
If not provide rationale.
- 15 Document negative and positive intangible benefits, i.e., procurement backlogs, delays in approval from item manager for items over the funding limits, etc. Also document any details viewed as significant, yet cannot be quantified.

16 Document any item discrepancies and maintain reports of item discrepancies for post evaluation purposes.

17 Recommended changes to AFM 67-1.

Supply should also monitor pre-test, test, and post-test MICAP rates. Contracting personnel should monitor areas such as increases in work load, on-time contract awards, average local purchase lead times, etc.

OTHER INFORMATION

Work loads may increase as a result of this test. It is important that functional areas monitor the increase as accurately as possible. For test purposes, manpower standards will not be affected. The data collected to support the increased work load will then be available should the test be approved as Air Force policy and should the manpower standards need adjusting.

On-hand stock, to include suitable substitutes, must be issued before establishing backorders. Minimum order quantities will be a factor the customer should address in determining the cost advantage for local purchase. Supply will not stock or be responsible for any excess quantity between the minimum order quantity and the customer's requirement.

The International Merchant Purchase Authorization Card (IMPAC) WILL NOT BE USED TO PROCURE ANY ITEM INCLUDED IN THIS TEST.

To the fullest extent possible, national stock numbers should be used in lieu of "L" or "P" numbers. This ensures proper consumption is recorded and demand data updated accordingly. Establish memo due-outs (with TEX code 7) and source of supply routing identifier. Using special requisitioning procedures, "SPR" in the due-in with "JBB" routing identifier and link to the due-out document number in columns 67-80. Local purchase status (LPS) will follow and change the price to the local purchase price. If SNUD passes a price change during the year on a national stock number under the test, the due-out release can be reverse posted and reprocessed with the local purchase price.

All test bases will fund items through their stock fund. The test program is not intended to bypass the Stock Fund or circumvent any Congressional restrictions. Local management decisions to procure items must be sensitive to these parameters.

AFM 67-1, Vol 1, Part One, Chapter 8, Para. 5d (6), is partially applicable to this test program. The central procurement item manager will not provide reimbursement funds for local purchases of Air Force managed items during the test.

The following identifies ALCs, DLA's and GSA's supply centers central points of contact where contract documents will be forwarded after items are local purchased:

OC-ALC/FMIRB

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REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188	
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188), Washington, DC 20503.				
1. AGENCY USE ONLY (Leave blank)	2. REPORT DATE April 1995	3. REPORT TYPE AND DATES COVERED Final		
4. TITLE AND SUBTITLE Result and Implications for Phase-II of the Wing Commanders' Flexibility Test (Local Versus Central Purchase)			5. FUNDING NUMBERS	
6. AUTHOR(S) Sharan Dockery Margaret Green Robert Greiner				
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Defense Logistics Agency Operations Research Office (DORO) c/o Defense General Supply Center Richmond, VA 23297-5082			8. PERFORMING ORGANIZATION REPORT NUMBER DLA-95-P40241	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES) Defense Logistics Agency Executive Director (Supply Management Policy Group) Cameron Station Alexandria, VA 22304-6100			10. SPONSORING/MONITORING AGENCY REPORT NUMBER	
11. SUPPLEMENTARY NOTES				
12a. DISTRIBUTION/AVAILABILITY STATEMENT Public release; unlimited distribution			12b. DISTRIBUTION CODE	
13. ABSTRACT (Maximum 200 words) This project evaluated test results of the USAF Wing Commanders' Flexibility Program (2nd phase only) from a system level perspective. This test (which has been conducted under two phases) was initiated by USAF to enhance the wing commanders' support options for meeting mission requirements by expanding the use of local purchase. The first phase of the test covered the time period of October 1991 through September 1993 while the second phase spanned October 1993 through September 1994. This review looks at the test results from a DoD perspective. Significant findings were that central purchases could be received faster than from the local system at a reduced cost.				
14. SUBJECT TERMS local purchase, central purchase, response time, contract pricing, USAF Wing Commanders' Test, MILSPEC			15. NUMBER OF PAGES	
			16. PRICE CODE	
17. SECURITY CLASSIFICATION OF REPORT Unclassified	18. SECURITY CLASSIFICATION OF THIS PAGE Unclassified	19. SECURITY CLASSIFICATION OF ABSTRACT Unclassified	20. LIMITATION OF ABSTRACT	